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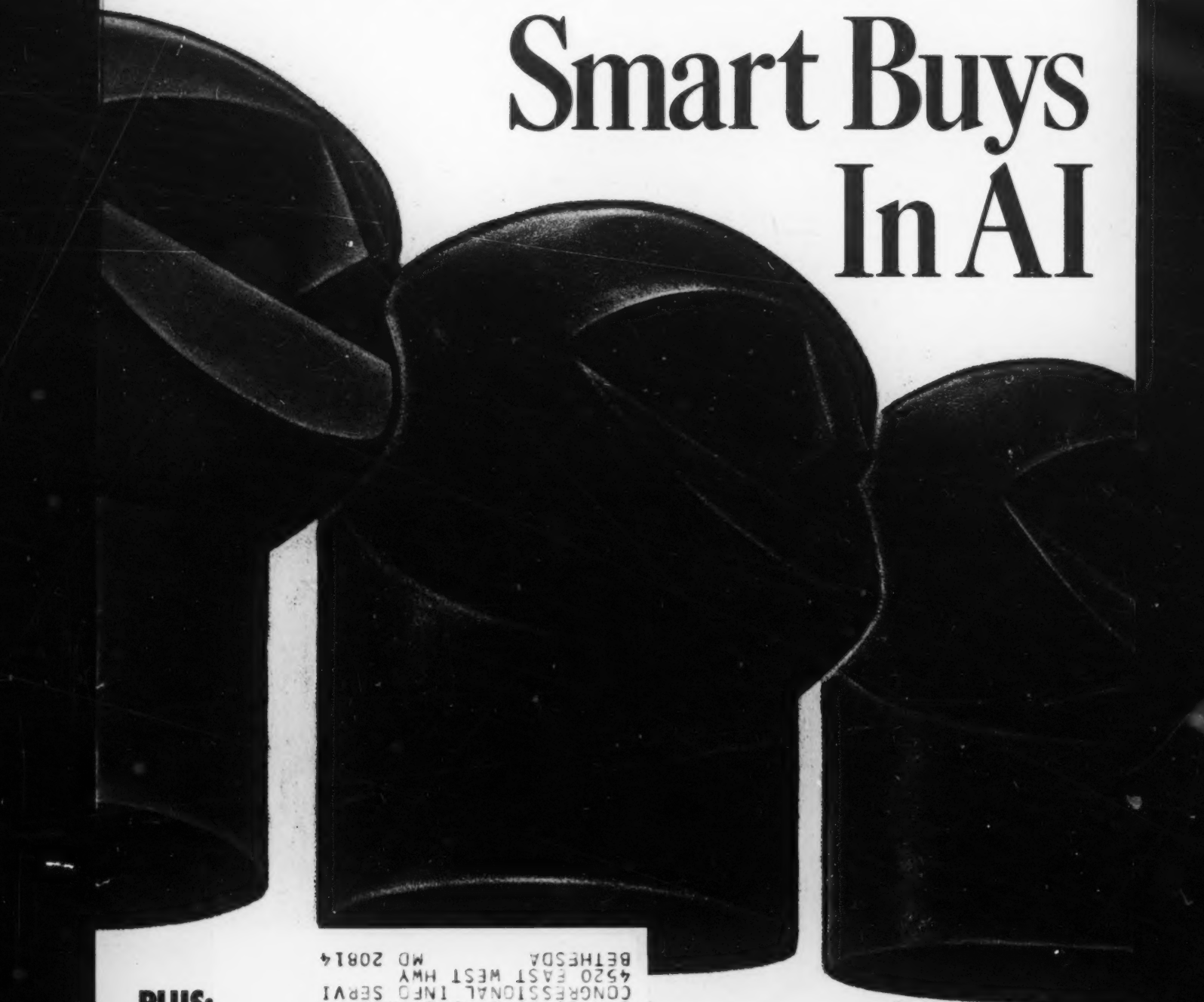
AUGUST 1, 1987
A CAHNERS PUBLICATION
INTERNATIONAL EDITION

Smart Buys In AI



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DATAMATION

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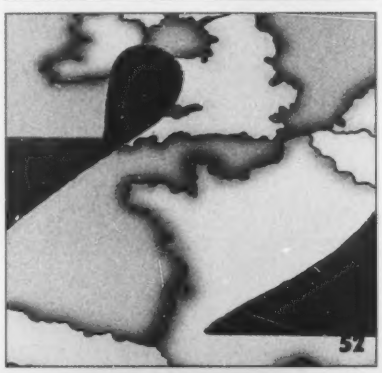

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The top 25 dp companies in Europe had combined revenues of $44.5 billion last year, a 29% increase over 1985. The European data processing market—valued at over $70 billion—excited the interest of U.S. dp companies. Strong demand—and the weak dollar—provided fertile ground on which to boost sagging stateside revenues. Europe's computer companies maintained growth. IBM was champ again, but stumbled in major markets.

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Cover Illustration by Douglas Fraser

INTERNATIONAL EDITION

AUGUST 1, 1987
VOLUME 33
NUMBER 15
THIS ISSUE, 187,023 COPIES

1987 JESSE H. NEAL AWARD

Editorial

Year of the Customer

This is indeed the year of the customer in the information technology industry. End-user companies large and small are having more say in the direction of their suppliers of systems and software than ever before. They have gone beyond merely asking for solutions to their complex business problems; they are demanding answers—today.

It's no surprise then that the DATAMATION staff devotes more and more of its reporting efforts finding out exactly what customers want—need, really—from their strategic suppliers. Here, for example, are some of the customers with whom our correspondents in Boston, San Jose, and Los Angeles touched base in the course of their travels for this issue:

- Chevron Corp., Dow Chemical, Hughes Aircraft, and Syntex all were more than willing to share their thoughts about IBM's NetView SNA management products with San Jose-based Susan Kerr, who specializes in communications. In fact, Chevron's general manager William Houghton told Kerr, "If promises meet expectations, this could be a best-seller."
- The Bank of New England and the Texas Commerce Bank discussed their impressions of IBM's SolutionPac strategy with Jeff Moad, our San Jose bureau manager. Moad's impressions are that Big Blue's attempt to offer vertical software, service, and support hasn't had much of an impact—in banking or anywhere else.
- AT&T, Citizens Fidelity Bank, and Owens Corning Fiberglas Corp. explained to our man in Los Angeles, Tom McCusker, why they are investing in software tools to measure their existing computers' performance.
- The Bank of Boston, Guardian Industries, and Life of Virginia all had something to say to Boston bureau manager Gary McWilliams about the future of minicomputers, the subject of our Behind the News section. Situated in Newton, Mass., McWilliams is in a perfect position to have tackled the assignment—the headquarters of many of the leading minicomputer vendors (Digital Equipment Corp., Wang, Data General, and Prime) are within a short drive of his office.

That's not to say we ignore suppliers these days. Our bureau reports, as well as international editor Paul Tate's DATAMATION European 25 feature, are based on numerous interviews with executives from top vendors such as Digital, IBM, and Uccel (now part of Computer Associates). We feel quite comfortable bridging the gap between customers and suppliers—especially this year. After all, that's our job.

Tim Mead

TIM MEAD
EDITOR-IN-CHIEF

The European

DATAMATION Maps the Major Powers In the European Dp Market

A weak dollar and a steady demand for software, minicomputers, and pcs characterized the European dp market in 1986. These factors helped both U.S. and indigenous dp suppliers to maintain revenue growth. Although IBM had a rough time in some of its major markets, overall it was a good year for the high and mighty in European dp.

BY SARAH UNDERWOOD AND PAUL TATE

The combination of the weak U.S. dollar and the continued steady growth in Europe's main markets helped the 25 highest and mightiest European dp companies smash through the $40 billion barrier in 1986. The combined revenues of the top 25 companies in Europe last year—$44.5 billion—represents an impressive increase of 29% over 1985.

For most of the U.S. dp companies facing depressed revenue increases in their home market, Europe provided a growth opportunity not to be missed in 1986. But while U.S. suppliers sought to bolster flagging corporate revenues with strong overseas sales, Europe's indigenous suppliers more than held their own. Last year, the European dp market—valued at over $70 billion—helped firms from both sides of the Atlantic achieve revenue growth.

Though the mainframe market only showed modest increases in most countries, the demand for minicomputers, personal computers, and communications products was strong.

The 1986 DATAMATION European 25 survey also reveals a number of more specific trends. The revenue difference between the first- and last-place firms on the list was again considerable. While IBM, taking its traditional place in the number one position, recorded European dp revenues of $15.7 billion in 1986, Data General was in the chart's basement with sales of $283 million. That revenue threshold for entry to the top 25 is much higher than the $219 million level in 1985, due, for the most part, to the effect of the weak dollar on currency conversions.

The weak dollar, however, does not account for IBM's changing fortunes in Europe during 1986. Big Blue's European sales represented 35.3% of the European dp industry's 1986 combined revenue total, compared with 39% in 1985 and 1984. In fact, IBM's performance in Europe last year was not at all impressive. Although the company recorded an increase of 21% in dollars for the year in Europe, that figure hides the real story—IBM suffered badly in many of its major markets. For example, in West Germany, which is IBM's largest European market, the company's dp revenues fell drastically, by almost 13%, despite the market's overall growth of around 17% over the same period. In France, the second-largest revenue producer for IBM in Europe, sales were off by 9% (see Figure 2).

Despite these problems, the weak dollar helped IBM convert its modest achievements in Europe into an impressive 21% increase overall in dollars. This came as welcome relief in its Armonk, N.Y., headquarters, because the company's business at home had been even worse. This is reflected in the fact that Big Blue's European revenues accounted for 32% of its worldwide dp sales—up from 28% in 1985.

A BRITISH LEASING FIRM WAS THE BIG CLIMBER.

By contrast, most of the European companies had little trouble maintaining genuine growth rates either within Europe or worldwide. There are 14 European companies from seven countries on this year's DATAMATION European 25, compared to 13 in 1985. These European firms accounted for 41% of the combined revenue total of the 25 companies in 1986, up from 35.5% in 1985.

What's more, the combined worldwide revenues of the top 20 European-owned companies (see Figure 1) rose to $23.4 billion—an increase of 36.6% over the previous year.

This healthy growth among the major European vendors did not affect the positioning of companies at the top of the European 25 table, however. With IBM still in its unassailable number one slot, West Germany's Siemens remained at number two, with 14.5% growth on 1986 revenues of $3.9 billion. If its foray into the U.K. computer market, which began last year, turns out to be successful, then it can expect to do even better in 1987.

Meanwhile, Digital Equipment Corp. kept its number three position with another strong year, registering European revenues of $2.8 billion, while Italy's Olivetti and France's Groupe Bull maintained their respective number four

and number five rankings, with each recording growth rates of around 12% in local currency.

Data General reentered the list at number 25 after having been knocked off the chart in 1985. The minicomputer company's 31% increase in European sales reflected last year's strong growth of Europe's mini market. That trend benefited Digital and helped Norway's fast-growing mini maker Norsk Data enter the rankings for the first time, at number 23, with revenues of $318 million and an astounding 84% sales increase, measured in local currency.

Xerox's European joint venture, Rank Xerox, also climbed back into the rankings during 1986 after dropping off the chart in 1985. Rank Xerox's 1986 dp sales of $371.6 million were up by a hefty 48% over 1985, putting the company into the 21st position in 1986.

Falling off the chart in 1986 was the U.K.'s recently privatized telecommunications authority, British Telecom. The incorrect inclusion of dp revenues garnered from internal sales had placed it at number 15 in the 1985 ranking, but after the proper adjustments were made in the 1986 survey it dropped off the table. The merger of Burroughs and Sperry to form Unisys accounts for the second slot that was filled by a newcomer. Unisys grabbed the number six position on the 1986 chart, knocking West Germany's Nixdorf down one place to number seven, despite its respectable 18% increase in sales, measured in deutschmarks.

But the European company that really took a nosedive last year was Sweden's ailing telecommunications company, L.M. Ericsson, which fell four places to number 12 after a disastrous 9% drop in European sales. That fall follows a two-place slide in 1985, and while some say most of its problems are now sorted out on the dp side, Ericsson has an enormous task ahead of it to regain ground in the European marketplace.

Ericsson's continuing fall from grace, and the merger of Burroughs and Sperry, helped many other firms move up the rankings in 1986. The Dutch Philips group managed to rise one place to number eight despite only a modest 5% increase in sales. Also moving up one position was U.S. micro company Apple Computer Inc., which benefited from strong European demand for its Macintosh. Apple's European revenues were up by 42%, measured in dollars, to $325 million. Office systems specialist Wang Labs also recorded a healthy growth rate of 34% and moved up one rung to the number 15 position.

The big climber in 1986 was U.K. leasing company Atlantic Computers plc, which jumped five places to number 20 after entering the chart for the first time in 1985 at number 25. The company's 50% growth surge was largely a result of increased numbers of high-value leases for IBM 3090 mainframes.

Climbing four places to number 13 was France's telecom giant Compagnie Générale d'Electricité, which recorded dp revenues in Europe of $943 million, up by 10% in local currency. This company will not appear on the chart next year, however, due to the merger of its dp and communications interests with ITT.

Recording much stronger growth in its business last year was U.S. company Hewlett-Packard, which saw its European sales grow by 37% to $1.5 billion, pushing it three places up the ladder to number nine. Five companies edged up two places in the 1986 survey: NCR, Control Data, and Commodore from the U.S., and Mannesmann and BASF from West Germany. Only six companies remained in the same position as last year.

FIGURE 1 Leading European Dp Companies

	COMPANY	COUNTRY	WORLD-WIDE DP REV ($ MIL)	% CHG ACTUAL ACCTG CURRENCY
1	Siemens AG	W. Germany	$4,387.1	10.5
2	Ing C. Olivetti & Co. SpA	Italy	3,865.2	14.5
3	Groupe Bull	France	2,568.0	10.4
4	Nixdorf Computer AG	W. Germany	2,075.1	14.3
5	N.V. Philips Gloeilampenfabrieken	Netherlands	1,763.3	–4.7
6	STC plc	U.K.	1,748.7	14.5
7	LM Ericsson	Sweden	1,344.2	–9.3
8	Compagnie Générale d'Electricité	France	1,025.0	7.6
9	BASF	W. Germany	520.7	7.6
10	Mannesmann Kienzle GmbH	W. Germany	488.9	1.4
11	Racal Electronics plc	U.K.	469.1	7.4
12	Rank Xerox	U.K.	458.8	70.0
13	Atlantic Computers plc	U.K.	431.0	67.4
14	Cap Gemini Sogeti	France	419.9	32.2
15	Ferranti plc	U.K.	351.5	8.6
16	Norsk Data AS	Norway	349.1	36.6
17	British Telecom plc	U.K.	330.4	44.9
18	Plessey Co. plc	U.K.	294.1	2.5
19	Nokia Corp.	Finland	273.4	2.7
20	United Leasing	U.K.	267.6	NA

NA: not available

FIGURE 2 IBM Europe's Major Markets

COUNTRY	1986 LOCAL SALES REV ($ MIL)	% CHG $ U.S.	% CHG AAC	1986 TOTAL REV ($ MIL)*	% CHG AAC	NET INCOME ($ MIL)
France	2,672.2	18.1	–8.9	5,285.3	–2.5	356.7
W. Germany	3,319.4	18.3	–12.7	5,540.6	–9.1	238.7
Italy	2,020.0	31.6	2.8	3,007.9	4.8	363.5
Netherlands	842.4	24.6	–8.1	1,313.1	–6.2	102.0
Spain	789.0	29.6	6.6	1,286.9	–6.2	154.9
Sweden	597.3	21.3	0.5	1,102.3	7.6	79.5
U.K.	2,420.6	29.2	12.7	4,526.5	1.2	385.3

*These figures include intercompany transfers. AAC = Actual accounting currency

Last year was also one of corporate partnerships, a continuing trend in Europe, which again affected many of the top 25 companies. Bull tied the conjugal knot with Honeywell Information Systems and Japan's NEC, while Olivetti broadened its horizons with the acquisition of Triumph-Adler from Volkswagen.

Siemens and BASF merged their pcm businesses into a new force in the European pcm world: Comparex Information Systems, which will focus on selling Hitachi-built mainframes to European customers. Troubled Ericsson, meanwhile, teamed up with DEC to supply banking systems, and French services house Cap Gemini Sogeti went to the U.S., West Germany, and Italy to acquire firms.

Companies breaking into the value-added network (VAN) services market were among the most ardent suitors. IBM France started discussions with the French bank Paribas and Paris-based services house Sema-Metra. Bull entered similar talks with GEISCO and, in the already deregulated U.K. market, ICL also tied up with GEISCO. By the end of the year, Italy was also considering the potential of VANs, and IBM Italia was just weeks away from signing a deal to set up a service provider with Olivetti.

In the more traditional services sector—software, consultancy, processing, and training—growth remained strong through 1986. The European Computer Services Association says business grew 19% in real terms to a value of $23.5 billion last year.

The European market is now more than half the size of its U.S. counterpart. In the European services market, packaged software accounted for 36%, custom software and consultancy for 29%, processing services for 31%, and training for the remainder.

On a country-by-country basis, the U.K., Italian, and West German markets showed growth in excess of 20%, while Spain was Europe's up-and-coming dp market, claiming 25% growth in its services sector. The French market, home of Europe's biggest software and services suppliers, expanded just 16%.

On the hardware side, the 1986 mainframe market experienced only modest increases although the year was notable for IBM's additions to the 3090 line, the emergence of the new Comparex pcm company in West Germany, and the unrest among Sperry users following the merger with Burroughs.

Further down the power spectrum, the attractive price/performance ratings of Digital's VAX and MicroVAX won the hearts of both value-added resellers and users, while Hewlett-Packard booked orders for its Spectrum machines, and Norsk Data proved that its computer range could take its place with the best of the competition.

Unix was a hot topic during the year. Most of the European majors prepared new systems or launched Unix products in 1986, a trend that has continued this year. The X/Open group, boost-

The DATAMATION European 25

1986 RANK	1985 RANK	COMPANY	HEAD-QUARTERS	1986 EUR DP REV	% CHG $ U.S.	% CHG AAC*	TOTAL DP REV
1	1	IBM	U.S.	$15,688.7	21.1	21.1	$49,591.0
2	2	Siemens AG	W. Germany	3,860.6	46.5	14.5	4,387.1
3	3	Digital Equipment Corp.	U.S.	2,776.7	27.4	27.4	8,414.3
4	4	Ing C. Olivetti & Co. SpA	Italy	2,705.6	45.2	12.9	3,865.2
5	5	Groupe Bull	France	2,413.9	44.6	11.7	2,568.0
6	—	Unisys Corp.	U.S.	2,263.4	NA	NA	9,431.0
7	6	Nixdorf Computer AG	W. Germany	1,909.1	60.1	18.1	2,075.1
8	9	N.V. Philips Gloeilampenfabrieken	Netherlands	1,534.1	42.3	4.9	1,763.3
9	12	Hewlett-Packard Co.	U.S.	1,485.0	36.9	36.9	4,500.0
10	10	STC plc	U.K.	1,422.5	37.0	19.5	1,756.2
11	13	NCR Corp.	U.S.	1,225.7	31.4	31.4	4,377.6
12	8	LM Ericsson	Sweden	1,196.3	9.0	-9.4	1,344.2
13	17	Compagnie Générale d'Electricité	France	943.0	42.5	10.0	1,025.0
14	14	Honeywell Inc.	U.S.	699.3	43.3	43.3	1,890.0
15	16	Wang Laboratories Inc.	U.S.	587.2	34.4	34.4	2,668.9
16	18	Control Data Corp.	U.S.	502.0	18.6	18.6	3,346.7
17	19	Commodore International Ltd.	U.S.	456.0	14.7	14.7	800.0
18	20	Mannesmann Kienzle GmbH	W. Germany	444.9	38.9	2.6	488.9
19	21	BASF	W. Germany	411.4	45.8	7.6	520.7
20	25	Atlantic Computers plc	U.K.	395.9	80.4	49.7	431.0
21	—	Rank Xerox	U.K.	371.6	70.0	47.6	458.8
22	23	Apple Computer Inc.	U.S.	325.0	42.6	42.6	2,031.0
23	—	Norsk Data AS	Norway	317.7	150.0	83.6	349.1
24	—	Cap Gemini Sogeti	France	293.9	51.8	17.2	419.9
25	—	Data General Corp.	U.S.	283.3	31.3	31.3	1,287.6

All currency figures are in millions. NA = not available. *Actual accounting currency.

ed by the addition of Digital, Unisys, and Hewlett-Packard to its membership list, pressed ahead with its concept of a common applications environment and produced further specifications that will be adopted by its member companies in products to be launched this year.

In the European micro market too, standards became a point for discussion as rumors of IBM's 1987 launch of PS/2 began to circulate. In terms of market share, however, IBM took a beating last year at the hands of clone makers such as Olivetti and the U.K.'s micro upstart Amstrad. While IBM did not dominate the total pc market—from home computers to scientific and technical workstations—it did hold sway in the business and professional pc market sector. But it achieved no growth, reports International Data Corp., with unit shipments flat at 330,000 units. Compaq and Siemens were the star performers last year, turning out 65% and 150% more pcs, respectively.

These trends in the hardware sector seem set to continue during 1987, leaving IBM with some tough marketing decisions to make if it's to maintain its hold on the European market. The new PS/2 will definitely be a big help at the pc and departmental systems level, but with the strengthening of many European companies during 1986 at Big Blue's expense, with the continued rise of the minicomputer firms in Europe and the corporate mergers that got under way last year in the European mainframe and communications sectors, 1987 is going to be a critical year in European dp.

Methodology

For this survey, Europe includes Austria, Belgium, Denmark, Finland, France, Greece, Ireland, Italy, Luxembourg, the Netherlands, Norway, Portugal, Spain, Sweden, the U.K., and West Germany.

Dp-related revenue is defined as general purpose dp products and services generated by one or more of the following categories or equipment: mainframes, minicomputers, office systems, data communications, peripherals and terminals, software and services, and maintenance and repair. Excluded are data transmission or "basic" services revenues from specialized common carrier, standalone electronic and mag card typewriters and standalone electronic cash registers, instrumentation, semiconductors, printed circuit boards, automated test equipment, and dp supplies, with the exception of magnetic media for disk and tape drives.

All peripherals that attach to a system are included. For computer-based manufacturing systems, such as computer-controlled machine tools, only computer and hardcopy output devices are included and not the tools themselves. All revenue and earnings figures have been adjusted to calendar year calculations. All European company figures were converted to U.S. dollars, using OECD exchange rates. ■

TOTAL DP REV % CHG	1986 TOTAL REV	EUR DP REV AS % OF TOT DP REV	DOM REV AS % OF TOT DP REV	DP REV AS % OF TOTAL REV	NET INCOME	1986 EMPLS	FISCAL YEAR END
2.1	$51,250.0	32	49	96.7	$4,789.0	403,508	Dec.
49.8	21,669.6	88	65	49.8	679.3	363,000	Sept.
19.7	8,414.3	33	56	100.0	861.5	101,000	June
46.5	4,902.3	70	37	78.8	378.9	59,091	Dec.
10.5	2,568.0	94	66	100.0	39.1	26,804	Dec.
NA	9,536.7	24	69	98.8	254.3	98,300	Dec.
54.8	2,075.1	92	52	100.0	102.3	25,576	Dec.
29.1	22,464.1	37	NA	7.8	414.3	344,200	Dec.
12.0	7,102.0	33	53	63.3	516.0	82,000	Oct.
31.9	2,794.1	81	63	62.5	151.6	NA	Dec.
12.7	4,881.6	28	49	89.6	336.5	62,000	Dec.
9.4	4,444.4	89	NA	30.2	53.1	75,000	Dec.
39.4	11,673.9	92	48	8.7	248.2	150,000	Dec.
–3.2	7,268.2	37	55	26.0	–9.6	98,597	Dec.
9.9	2,668.9	72	64	100.0	–86.4	31,000	June
–9.1	3,346.7	15	70	100.0	–264.5	34,200	Dec.
6.7	837.7	57	32	95.5	–10.0	NA	June
37.4	627.6	91	65	77.9	NA	8,864	Dec.
45.8	18,650.2	79	NA	2.7	NA	131,468	Dec.
92.0	470.6	92	62	91.5	29.9	630	Dec.
70.0	2,832.4	81	—	16.0	202.0	NA	Oct.
15.8	2,031.0	16	74	100.0	155.3	5,940	June
58.8	349.1	91	55	100.0	468.0	3,618	Dec.
71.3	419.9	70	37	100.0	27.4	7,500	Dec.
7.4	1,287.6	22	64	100.0	–26.8	15,565	Dec.